



## Resources and Information for Arizona Small Businesses Affected by COVID-19

### PAYCHECK PROTECTION PROGRAM FOR SMALL BUSINESSES

On March 27, 2020, H.R. 748, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act established the Paycheck Protection Program (PPP), a \$350 billion loan program to help small & mid-sized businesses with cash flow during the COVID-19 crisis. This is a forgivable loan program that is 100% backed by the federal government and administered through local banks and credit unions.

***\*\*Businesses interested in applying for the PPP loan can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program\*\****

For the most comprehensive, up-to-date information on the Paycheck Protection Program, please visit:

- [The U.S. Treasury Department webpage on the Paycheck Protection Program](#)
- [The U.S. Small Business Administration webpage on the Paycheck Protection Program](#)

#### Who is eligible to receive the loan?

- Businesses with 500 or less employees;
- Businesses that meet current Small Business Administration (SBA) [size standards](#);
- Self-employed individuals and “gig economy” workers;
- Certain nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations; and
- Tribal businesses with under 500 employees.

#### What is the size of the loans?

- The loan's size is 250% of the employer's average monthly payroll. The maximum loan is \$10 million.

#### What can loans be used for?

- Payroll costs (salary, wages, and payment of cash tips up to annual rate of \$100,000 per employee);
- Continuation of health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- Employee salaries, commissions, or similar compensations;
- Payments of interest on mortgage obligations;



- Rent, including rent under lease agreement;
- Utilities; and
- Existing allowable uses under 7(a) program, which includes purchasing inventory, supplies, raw materials, and working capital.

How does the loan forgiveness work?

- Borrowers are eligible for loan forgiveness equal to the amount they spend on payroll, interest on mortgages, rent, and utilities during the 8-week period after the origination date of the loan.
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year, and by any reduction in pay of employee beyond 25% of their prior year compensation. To encourage employers to rehire any employees who have already been laid off, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

Who makes and approves the loans?

- The loans will be 100% backed by the government, but the authority to make and approve loans is delegated to local banks and credit unions.
- Financial institutions that are already approved 7(a) lenders would be automatically eligible to participate. The bill also directs the Treasury Department to create a streamlined process for becoming an approved lender so more financial institutions can participate.
- Without going through all of SBA's channels, lenders can make determinations on a borrower's eligibility and creditworthiness. Instead of determining the ability for the businesses to repay, lenders will simply determine whether a business was operational on February 15, 2020, and whether it had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.
- SBA will provide lenders with a process fee for servicing the loan. The bill sets lender compensation fees at 5% for loans of not more than \$350,000; 3% percent for loans of more than \$350,000 and less than \$2,000,000; and 1% for loans over \$2,000,000.

What happens to the portion of loan that is not forgiven?

- The remaining balance will maintain a 100% guarantee & have a maturity of not more than 10 years.
- Loan payments are deferred at least six months.
- The maximum interest rate is 4%.

Can businesses receive this and an Economic Injury Disaster Loan?

- Businesses will be able to receive the Economic Injury Disaster Loan and a Paycheck Protection loan as long as they go for different things. For example, a business can receive an EIDL for working capital and a Paycheck Protection loan for payroll assistance. Additional flexibility is granted through no prepayment penalties on EIDLs and no prepayment penalties on Paycheck Protection loans. Additionally, a refinancing option has also been included.



## ECONOMIC INJURY DISASTER LOAN FOR SMALL BUSINESSES

Arizona small businesses and most private nonprofit organizations may apply for **Economic Injury Disaster Loans (EIDL)** through the **U.S. Small Business Administration's (SBA) Office of Disaster Assistance**. All counties within Arizona are currently eligible for these loans, as declared by the SBA Administrator.

The CARES Act recently expanded the EIDL to allow SBA more flexibility to process and disperse small dollar loans. Most significantly, the CARES Act expanded the EIDL to provide approved applicants with expedited access to capital through an Emergency Grant—an advance of \$10,000 within three days to maintain payroll, provide paid sick leave, and to service other debt obligations.

Arizona business applicants economically impacted by the COVID-19 Pandemic should visit <https://disasterloan.sba.gov/ela/> and complete the **online application** in SBA's Disaster Loan Application Portal.

All documents required for SBA to fully process an application and provide an approval decision are available in the application loan portal and can be completed and uploaded there directly. These documents typically include:

- Loan application (SBA Form 5), completed and signed (this is electronic/online in the portal)
- Tax Information Authorization (IRS Form 4506-T), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has more than 50 percent ownership in an affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management
- Personal Financial Statement (SBA Form 413) completed, signed, and dated by the applicant, each principal owning 20 percent or more of the applicant business, and each general partner or managing member
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used)

Applicants do not need to know in advance how much or even if they will need to borrow funds, and are not required to accept more loan funds than they may need to survive the outbreak economic recovery period. There is no cost to apply and there are no prepayment penalties. Businesses approved will be offered loan terms up to 30 years with a 3.75 percent fixed interest rate. Approved private nonprofits interest rate is 2.75 percent. SBA will contact applicants directly as their application is reviewed and processed to a decision. SBA may call phone numbers provided, email or text applicants and send messages directly through the Disaster Loan Application Portal. If applicants have issues with the online application they can call SBA's Customer Service Center at 1-800-659-2955 or email [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).



Businesses and nonprofits may also visit the **U.S. Small Business Administration** Office of Disaster Assistance information webpage at: [www.sba.gov/disaster](http://www.sba.gov/disaster).

Businesses with existing SBA guaranteed loans through partner banks may contact the **Arizona District Office** of the U.S. Small Business Administration at the [Arizona District Office](#) page.

Businesses and nonprofits may visit the **U.S. Small Business Administration** page for [Disaster Assistance Loans for small businesses impacted by COVID-19](#).

## WAGES, HOURS AND LEAVE

Visit the **U.S. Department of Labor** page on [wages and hourly pay during the COVID-19 crisis](#).

On March 18, 2020, the Families First Coronavirus Response Act was signed into law. This law means small businesses must now meet a number of requirements, including:

- **Qualified Sick Leave Wages**
  - Businesses with fewer than 500 employees must pay up to 80 hours of emergency paid sick leave to full-time employees (pro-rata rules apply to part-time employees) who are home sick from coronavirus, complying with a quarantine, or taking care of an individual who has been infected. This leave also applies to working families who may be forced home due to school closures.
  - Federal government will provide employers with a refundable payroll tax credit of 100 percent of the required wages.
  - Employees are capped at \$200 per day (\$511 per day in the case of employees that are home sick from coronavirus or complying with a quarantine).
- **Qualified Family Leave Wages**
  - Businesses with fewer than 500 employees must provide an additional 12 weeks of paid leave due to caring for a child whose school is closed.
  - The first 2 weeks of the leave, which is covered by the qualified sick leave described above, may be unpaid.
  - During the remaining 10 weeks, the employer will pay 2/3 of the employee's salary, capped at \$200 per day for up to 50 days.
  - Federal government will provide businesses with a refundable payroll tax credit of 100 percent of the required wages.
  - The Secretary of Labor may issue rules to exempt small businesses with fewer than 50 employees from these requirements when the imposition of such requirements would jeopardize the viability of the business as a going concern.





The **U.S. Department of Labor** has published a number of fact sheets and question and answer sheets for small businesses seeking clarification on the new requirements of the Families First Coronavirus Response Act:

- **Fact Sheets**
  - [Families First Coronavirus Response Act: Employee Paid Leave Rights](#)
  - [Families First Coronavirus Response Act: Employer Paid Leave Requirements](#)
- **Questions and Answers**
  - [Families First Coronavirus Response Act: Questions and Answers](#)
  - [COVID-19 and the Fair Labor Standards Act: Questions and Answers](#)
  - [COVID-19 and the Family and Medical Leave Act: Questions and Answers](#)

The **Internal Revenue Service** has issued guidance on the refundable COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses. [Visit the FAQ page.](#)

## TAX RELIEF

The American Rescue Plan established a number of tax relief provisions for small businesses affected by COVID-19, including:

- An employee retention credit was extended to be available to businesses who don't use the Paycheck Protection Program. Eligible employers will now be able to opt in to receiving a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis. Eligible employers include those with operations that were at least partially suspended because of a shutdown order, or employers who had gross receipts decline at least 50% relative to the same quarter last year. The IRS FAQ page on this credit can be found [here](#).
- A provision to allow employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. This deferred tax would be paid in the following two years.

Visit the **Internal Revenue Service** for information on all COVID-19 related tax relief at the [Coronavirus Tax Relief](#) page.

## UNEMPLOYMENT INSURANCE

Residents of Arizona wishing to apply for unemployment benefits must do so through the **Arizona Department of Economic Security**. Visit their webpage on [Unemployment Insurance Benefits](#).



Visit the **U.S. Department of Labor** page on recently announced [guidance on unemployment insurance flexibilities during COVID-19 outbreak](#).

Under this new guidance, federal law allows states to pay benefits where:

- An employer temporarily ceases operations due to COVID-19, preventing employees from coming to work;
- An individual is quarantined with the expectation of returning to work after the quarantine is over;
- An individual leaves employment due to a risk of exposure or infection or to care for a family member.
- In addition, federal law does not require an employee to quit in order to receive benefits due to the impact of COVID-19.

The Families First Coronavirus Response Act provided \$500 million for emergency administrative grants to be given to states in order to support timely application, processing and payment of unemployment claims. The legislation also makes \$500 million available to support states that have a spike in unemployment through 100% federally funded extended benefits.

The CARES Act expanded Unemployment Insurance by allocating \$250 billion to allow Arizonans and Americans who have filed for Unemployment Insurance to receive an additional \$600 per week through the end of July 2020. This is in addition to what individuals would already receive in unemployment benefits through the state of Arizona. Currently, Arizona unemployment benefits last for 26 weeks. For those who need it because they are still unemployed at the end of 26 weeks, the CARES Act has expanded unemployment benefits to be available for an additional 13 weeks.

The CARES Act also makes sure that Arizonans who are self-employed or independent contractors can receive unemployment benefits due to COVID-19. State and local governments, as well as nonprofits, are also supported through the CARES Act to make sure they can pay unemployment benefits to their workforce. These provisions will be in place through December 31, 2020.

You can find more information on applying for Unemployment Insurance on the **U.S. Department of Labor** [website](#).

## LOCAL GUIDANCE

Arizona businesses may visit the **Arizona Department of Health** page for guidance on [community and business partners responding to COVID-19](#).

Arizona businesses may visit the **Maricopa County Public Health** to access [guidance for businesses affected by COVID-19](#).



## OTHER RESOURCES

The CARES Act now requires SBA to pay all principal, interest, and fees on all existing SBA loan products, including 7(a), Community Advantage, 504, and Microloan programs, for six months to provide relief to small businesses negatively affected by COVID-19. Visit the **U.S. Small Business Administration** [website](#) for more information.

*More information will be made available*